

# SIDLEY AUSTIN BROWN & WOOD LLP

CHICAGO  
DALLAS  
LOS ANGELES  
NEW YORK  
SAN FRANCISCO

1501 K STREET, N.W.  
WASHINGTON, D.C. 20005  
TELEPHONE 202 736 8000  
FACSIMILE 202 736 8711  
www.sidley.com  
FOUNDED 1866

BEIJING  
GENEVA  
HONG KONG  
LONDON  
SHANGHAI  
SINGAPORE  
TOKYO

WRITER'S DIRECT NUMBER  
(202) 736-8250

WRITER'S E-MAIL ADDRESS  
ageolot@sidley.com

November 20, 2002

## VIA ELECTRONIC DELIVERY

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

Re: *Joint Application by BellSouth Corporation, BellSouth  
Telecommunications, Inc., and BellSouth Long Distance, Inc. for  
Provision of In-Region, InterLATA Services in Florida and Tennessee,  
WC Docket No. 02-307*

---

Dear Ms. Dortch:

At the request of the Commission Staff, AT&T is providing information on the cost impact of BellSouth's double count of inflation on a UNE-P Florida customer. Attachment 1 hereto describes the steps taken to make the calculations, and Attachment 2 sets forth the calculations. Eliminating the double count reduces the UNE-P per line cost from \$18.62 to \$18.19, a difference of \$0.43.

In accordance with Commission Rule 1.1206, I am filing this document electronically and ask that you place it in the record of the proceeding listed above. Thank you for your consideration in this matter.

Marlene H. Dortch  
November 20, 2002  
Page 2

Yours sincerely,

/s/ Alan C. Geolot

Alan C. Geolot

cc: S. Bergmann  
J. Myles  
G. Cooke  
C. Newcomb  
J. Dygert  
T. Preiss  
R. Lerner  
J. Swift  
W. Maher

### **Determination of Effect of Inflation Double Count on UNE-P Customer**

The calculation of the effect of the double count of inflation on a UNE-P customer involved three steps. First, the loop and port rates based on the Florida Commission's September 27, 2002 decision were calculated. Second, the end office, transport and features portions of the UNE-P were determined. Finally, the loop, port, end office, transport and features were combined to yield a cost for a UNE-P customer. Attachments supporting these calculations were submitted as Attachments 1-4 of the November 18, 2002 ex parte submission on behalf of AT&T from Alan C. Geolot to Marlene Dortch in this proceeding.

To calculate the loop portion of the UNE-P, three changes were made to the Florida Staff's recommended inputs into the BSTLM. First, the inflation factors in the material loading table were set to 1. These inflation factors are applied to all material and equipment investments (except electronics) calculated in the model. Second, the inflation applied to the engineering factors was removed. In its conclusion regarding the engineering loading factors, the "Staff recommend[ed] . . . using witness Donovan's engineering factor adjusted for inflation." The Staff engineering factors were replaced with those calculated by witness Donovan. Third, the 10% inflation loaded by BellSouth into its outside plant labor rate was removed, and the outside plant labor rate of \$44.39 was used in the model. After these three changes were made, the investment associated with a UNE-P loop was determined. This investment was then input into the BellSouth cost calculator. One change was made to the Florida Staff's recommended Cost Calculator model inputs. The inflation factors were set to 1 to remove the inflation double count in this model. After making this change, the loop and port rates were calculated.

The end office, transport and features portion of the UNE-P rate was not part of the Florida Commission's 120 day filing. As a result, the rate without inflation for these elements was taken from Exhibit 6 to BellSouth Telecommunications November 15, 2002 filing to the FCC.

Finally, the loop, port, end office, transport and features were combined into a UNE-P line cost. The assumptions used to calculate the UNE-P line cost and the results of the calculations are included in Attachment 2.

## CALCULATION OF UNE-P PER LINE COST

	<u>Staff Results</u>	<u>Double Count Removal</u>	<u>Difference</u>
UNE Rates	FL	FL	
Orig. EO Switching	\$0.0007662	\$ 0.0007521	
EO Switch Port	\$0.0001640	\$ 0.0001610	
Common Xport - Blended	\$0.0004722	\$ 0.0004985	
Tandem switching (usage+port)	\$0.0006019	\$ 0.0005909	
Term. EO Switching	\$0.0007662	\$ 0.0007521	
Term. EO Switch Port	\$0.0001640	\$ 0.0001610	
UNE Cost			
Orig. EO Switching	\$ 0.96	\$ 0.95	\$ (0.01)
Orig. EO Switch Port	\$ 0.14	\$ 0.14	\$ -
Common Xport - Blended	\$ 0.41	\$ 0.43	\$ 0.02
Tandem switching (usage+port)	\$ 0.04	\$ 0.04	\$ -
Term. EO Switching	\$ 0.63	\$ 0.62	\$ (0.01)
Term. EO Switch Port	\$ 0.14	\$ 0.14	\$ -
Port	\$ 1.17	\$ 1.15	\$ (0.02)
Features	\$ 2.26	\$ 2.22	\$ (0.04)
55% of Features Cost	\$ 1.24	\$ 1.22	\$ (0.02)
Total Switch Related (55%)	\$ 4.28	\$ 4.22	\$ (0.06)
Non-Switch Non-Loop	\$ 0.45	\$ 0.47	\$ 0.02
Total Non-Loop (55%)	\$ 4.73	\$ 4.69	\$ (0.04)
Total Loop	\$ 13.89	\$ 13.50	\$ (0.39)
<b>Total UNE-P (55% Features)</b>	<b>\$ 18.62</b>	<b>\$ 18.19</b>	<b>\$ (0.43)</b>

2001 DEM Per Avg Line ("orig")	FL	FL
Local	1,259	1,259
Toll	231	231

<b>MOU Assumptions</b>	Intraoffice %	Tandem %
Local	35%	2.0%
Toll	0%	20.0%